

**Ambac**

New York City Finances Convention Center Expansion with Guaranteed Bonds

\$700,000,000

New York Convention Center Development Corporation
Hotel Unit Fee Secured Revenue Bonds

The enduring appeal of New York City as a "world capital" and tourist destination helps the Jacob K. Javits Convention Center on Manhattan's west side to rank first nationally in terms of convention attendance and second overall in terms of the number of events it holds each year. Even so, New York City lags in attracting the largest conferences or trade shows- a major source of tourism revenue- because of the relatively modest size of the Javits Center. The Javits Center is currently the 18th largest convention center facility in the U.S., with 790,000 square feet of meeting and exhibition space. To continue to attract major events and help the Javits Center fuel ongoing visitor revenue to the city, the New York State Legislature authorized, in December 2004, the New York Convention Center Development Corporation to issue special obligation revenue bonds to finance the desired expansion of the Javits Center.

The proposed expansion project seeks to more than double the total square footage of the Javits Center complex, extending the Center northward two full city blocks. Approximately one million square feet of exhibition, meeting and ballroom space are projected to be added, including a significant amount of prime contiguous exhibition space. The two-phase project also contemplates the addition of approximately 1,500 hotel rooms.

Bonds financing the convention center expansion project are secured primarily by a special \$1.50 per key, per day tax on all hotel rooms within the five boroughs of New York City. Current occupancy rates, combined with conservative assumptions of revenue growth over the life of the transaction, provide debt service coverage for the 40-year life of the bonds.

Convention Center Corporation officials sought to strengthen their planned issue and lower overall financing costs by attaching financial guarantee insurance to the deal. With a considerable track record in New York City public finance transactions, as well as experience with convention center financings across the country, Ambac Assurance bid to provide triple-A backing for the deal. Critical to Ambac's participation were support mechanisms built into the transaction including the creation of several layers of debt service reserve and other funds. Notably, ongoing collection of the hotel room occupancy tax provides an additional year of pre-funded debt service after the initial three-year capitalized interest period. In addition, a \$25 million credit support fund provided by the State of New York Mortgage Agency (SONYMA) provides additional security to the credit. These funds are pledged to the bonds to cure any debt service shortfalls throughout the life of the deal.

Ambac provided a financial guarantee on the entire debt offering, automatically elevating the bonds' rating to triple-A, the highest available. The \$700 million hotel occupancy tax revenue bond transaction was successfully completed on November 16, 2005.

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